

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and among

LINCOLN COUNTY BANCORP, INC.
Troy, Missouri

PEOPLES BANK AND TRUST COMPANY
Troy, Missouri

and

FEDERAL RESERVE BANK
OF ST. LOUIS
St. Louis, Missouri

Docket No. 10-095 -WA/RB-HC
10-095- WA/RB-SM

WHEREAS, Lincoln County Bancorp, Inc., Troy, Missouri (“Lincoln County”), is a registered bank holding company, that owns and controls five state-chartered banks that are members of the Federal Reserve System, including Peoples Bank and Trust Company, Troy, Missouri (the “Bank”), and a nonbank subsidiary;

WHEREAS, in recognition of their common goal to maintain the financial soundness of Lincoln County and the Bank, Lincoln County, the Bank, and the Federal Reserve Bank of St. Louis (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on June 14, 2010, Lincoln County’s and the Bank’s boards of directors, at duly constituted meetings, adopted resolutions authorizing and directing Donald E. Thompson to consent to this Agreement on behalf of Lincoln County and the Bank, and consenting to

compliance with each and every provision of this Agreement by Lincoln County, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Lincoln County, and the Bank and the Reserve Bank agree as follows:

Credit Risk Management

1. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

- (a) The establishment by the board of directors of appropriate written risk tolerance guidelines and risk limits, and controls to ensure adherence thereto;
- (b) procedures to periodically review and revise risk exposure limits to address changes in market conditions;
- (c) timely and accurate identification and quantification of credit risk within the loan portfolio; and
- (d) strategies to minimize credit losses and reduce the level of problem assets.

Concentrations of Credit

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan to strengthen the Bank’s management of commercial real estate (“CRE”) concentrations, including steps to reduce the risk of concentrations. The plan shall, at a minimum, include:

- (a) Procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1);

(b) a schedule for reducing and the means by which the Bank will reduce the level of CRE concentrations, and timeframes for achieving the reduced levels;

(c) enhanced monitoring and reporting of CRE concentrations to management and the board of directors by type of loan and participations purchased; and

(d) strategic planning that considers CRE concentrations in relation to the Bank's planned growth, projected earnings, capital plans, and overall operations.

Appraisal and Appraisal Review Program

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program and practices for real estate appraisals and appraisal reviews that are consistent with the Interagency Statement on Independent Appraisal and Evaluation Functions dated October 27, 2003 (SR 03-18), and Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55), as well as the requirements of Subpart G of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by Section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50). The program and practices shall, at a minimum, provide for:

(a) The review of appraisals by qualified individuals who are independent of the loan production process;

(b) policies and procedures to obtain current appraisals or valuations on problem credits; and

(c) written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when loans are renewed or when there are material changes in market conditions or the condition of the collateral.

Asset Improvement

4. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the report of examination of the Bank conducted by the Reserve Bank that commenced on September 8, 2009 (the “Report of Examination”) or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank’s risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank’s interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank’s interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower’s credit file for subsequent

supervisory review. For purposes of this Agreement, the term “related interest” is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

5. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan designed to improve the Bank’s position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$500,000, including OREO, that: (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank’s problem loan list; or (iii) was adversely classified in the Report of Examination. In developing the plan for each loan, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank’s collateral position.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$500,000, including OREO: (i) becomes past due as to principal or interest for more than 90 days; (ii) is on the Bank’s problem loan list; or (iii) is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank an acceptable written plan to improve the Bank’s position on such loan or asset.

(c) Within 45 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank’s current problem loan list, extension report, and past due/non-accrual report. The board of directors shall

review the progress reports before submission to the Reserve Bank and shall document the review in the minutes of the board of directors' meetings.

Allowance for Loan and Lease Losses

6. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The

program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

7. Within 60 days of this Agreement, Lincoln County and the Bank shall submit to the Reserve Bank an acceptable joint written plan to maintain sufficient capital at Lincoln County on a consolidated basis, and the Bank as a separate legal entity on a stand-alone basis. The plan shall, at a minimum, address, consider, and include:

(a) Lincoln County's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D);

(b) the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(c) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, projected retained earnings, and anticipated and contingency funding needs;

(d) the source and timing of additional funds to fulfill Lincoln County's and the Bank's future capital requirements; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that Lincoln County serve as a source of strength to the Bank.

8. Lincoln County and the Bank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of Lincoln County's consolidated capital ratios, or the Bank's capital ratios (total risk-based, Tier 1, or leverage), fall below the approved capital plan's minimum ratios. Together with the notification, Lincoln County and the Bank shall submit an acceptable written plan that details the steps Lincoln County or the Bank, as appropriate, will take to increase Lincoln County's or the Bank's capital ratios to or above the approved capital plan's minimums.

Liquidity/Funds Management

9. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written contingency funding plan that, at a minimum, includes appropriate adverse scenario planning and identifies and quantifies available sources of liquidity for each scenario.

Earnings Plan and Budget

10. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank a written business plan for the remainder of 2010 to improve the Bank's earnings and overall condition. The plan, at a minimum, shall provide for or describe:

(i) a realistic and comprehensive budget for the remainder of 2010, including income statement and balance sheet projections; and

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) A business plan and budget for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

Cash Flow Projections

11. Within 60 days of this Agreement, the Lincoln County shall submit to the Reserve Bank a written statement of Lincoln County's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2010. Lincoln County shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2010 at least one month prior to the beginning of that calendar year.

Regulatory Reports

12. The Bank shall immediately take steps to ensure that all required regulatory reports filed with the Federal Reserve and the Federal Financial Institutions Examination Council accurately reflect the Bank's financial condition and are filed in accordance with the applicable instructions for preparation.

Dividends and Distributions

13. a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director").

(b) Lincoln County shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director.

(c) Lincoln County shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Director.

(d) Lincoln County and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank, and the Director.

(e) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information, as appropriate, on the parent's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Lincoln County and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

14. (a) Lincoln County and its nonbank subsidiary, shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a

statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Lincoln County shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Compliance with Laws and Regulations

15. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Lincoln County and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Lincoln County and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Compliance with the Agreement

16. (a) Within 10 days of this Agreement, Lincoln County's and the Bank's boards of directors shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate Lincoln County's and the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall include a majority of outside directors who are not executive officers or principal shareholders of Lincoln County and the Bank, as defined in sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)). At a minimum, the Compliance Committee shall meet at least

monthly, keep detailed minutes of each meeting, and report its findings to the boards of directors of Lincoln County and the Bank.

(b) Within 45 days after the end of each calendar quarter following the date of this Agreement, Lincoln County and the Bank shall submit to the Reserve Bank a written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans and Programs

17. (a) Lincoln County and the Bank shall submit written plans and programs that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 1, 2, 3, 5(a), 5(b) 6(c), 7, 8, and 9 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, Lincoln County and the Bank, as appropriate, shall adopt the approved plans and programs. Upon adoption, Lincoln County and the Bank, as appropriate, shall promptly implement the approved plans, programs, and policy, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Communications

18. All communications regarding this Agreement shall be sent to:

(a) Mr. Timothy A. Bosch
Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166

- (b) Mr. David Thompson
President
Peoples Bank and Trust Company
430 East Wood Street
P.O. Box G
Troy, Missouri 63379-0167

Miscellaneous

19. Notwithstanding any provision of this Agreement, the Reserve may, in its sole discretion, grant written extensions of time to Lincoln County and the Bank to comply with any provision of this Agreement.

20. The provisions of this Agreement shall be binding upon Lincoln County and the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

21. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

22. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Lincoln County and the Bank or any of their current or former institution-affiliated parties and their successors and assigns.

23. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 14th day of June, 2010.

LINCOLN COUNTYBANCORP,
INC.

By: /s/ Donald E. Thompson
Donald E. Thompson
Chairman

FEDERAL RESERVE BANK OF
ST. LOUIS

By: /s/ Timothy A. Bosch
Timothy A. Bosch
Vice President

PEOPLES BANK AND TRUST
COMPANY

By: /s/ Donald E. Thompson
Donald E. Thompson
Chairman